
The DuPage Community Foundation
(d.b.a. DuPage Foundation)

Financial Report
June 30, 2019

Independent Auditor's Report	1
Financial Statements	
Statement of Financial Position	2
Statement of Activities and Changes in Net Assets	3
Statement of Functional Expenses	4-5
Statement of Cash Flows	6
Notes to Financial Statements	7-18

Independent Auditor's Report

To the Board of Trustees
The DuPage Community Foundation
(d.b.a. DuPage Foundation)

We have audited the accompanying financial statements of The DuPage Community Foundation (d.b.a. DuPage Foundation), which comprise the statement of financial position as of June 30, 2019 and 2018 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The DuPage Community Foundation (d.b.a. DuPage Foundation) as of June 30, 2019 and 2018 and its changes in its net assets, its functional expenses, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the financial statements, The DuPage Community Foundation (d.b.a. DuPage Foundation) adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink that reads "Plante & Moran, PLLC".

October 17, 2019

The DuPage Community Foundation (d.b.a. DuPage Foundation)

Statement of Financial Position

June 30, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	\$ 2,978,663	\$ 1,303,196
Investments (Note 7)	93,215,390	90,764,543
Receivables:		
Pledges receivable	533,879	569,629
Charitable lead trust receivable (Note 6)	167,472	170,281
Fees receivable	159,718	153,973
Prepaid expenses and other assets:		
Prepaid expenses	35,078	41,179
Cash value of life insurance	525,206	535,381
Reinsurance contract (Note 5)	9,116	38,167
Property and equipment - Net (Note 4)	1,303,753	1,351,362
	<u>\$ 98,928,275</u>	<u>\$ 94,927,711</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 3,963	\$ 20,285
Accrued liabilities:		
Agency funds (Note 8)	18,153,225	16,201,773
Annuity payable (Note 5)	121,326	156,935
Accrued expenses	56,624	58,017
	<u>18,335,138</u>	<u>16,437,010</u>
Net Assets		
Without donor restrictions	13,285,103	13,104,517
With donor restrictions	67,308,034	65,386,184
	<u>80,593,137</u>	<u>78,490,701</u>
	<u>\$ 98,928,275</u>	<u>\$ 94,927,711</u>

The DuPage Community Foundation (d.b.a. DuPage Foundation)

Statement of Activities and Changes in Net Assets

Years Ended June 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support						
Gifts, bequests, and grants	\$ 603,637	\$ 6,415,982	\$ 7,019,619	\$ 661,457	\$ 5,286,344	\$ 5,947,801
Net investment gains	210,226	1,494,649	1,704,875	655,068	3,831,808	4,486,876
Investment income (loss) - Net	35,713	1,739,452	1,775,165	(55,256)	1,190,131	1,134,875
Fee revenue	165,883	-	165,883	202,501	-	202,501
Net assets released from restrictions	7,728,233	(7,728,233)	-	4,057,950	(4,057,950)	-
Total revenue, gains, and other support	8,743,692	1,921,850	10,665,542	5,521,720	6,250,333	11,772,053
Expenses						
Allocation of expenses:						
Grants awarded	6,756,791	-	6,756,791	4,819,615	-	4,819,615
Grant-making activities	896,820	-	896,820	752,164	-	752,164
Management and general	409,381	-	409,381	398,318	-	398,318
Fundraising	500,114	-	500,114	461,729	-	461,729
Total expenses	8,563,106	-	8,563,106	6,431,826	-	6,431,826
Increase in Net Assets - Before donor-approved changes in restrictions and reclassifications due to implementation of new standard	180,586	1,921,850	2,102,436	(910,106)	6,250,333	5,340,227
Reclassification Due to Implementation of New Standard (Note 2)	-	-	-	1,424,522	(1,424,522)	-
Donor-approved Changes in Restrictions	-	-	-	1,127,151	(1,127,151)	-
Increase in Net Assets	180,586	1,921,850	2,102,436	1,641,567	3,698,660	5,340,227
Net Assets - Beginning of year	13,104,517	65,386,184	78,490,701	11,462,950	61,687,524	73,150,474
Net Assets - End of year	\$ 13,285,103	\$ 67,308,034	\$ 80,593,137	\$ 13,104,517	\$ 65,386,184	\$ 78,490,701

The DuPage Community Foundation (d.b.a. DuPage Foundation)

Statement of Functional Expenses

Year Ended June 30, 2019

	Grants Awarded and Grant-making Activities	Management and General	Fundraising	Total
Salaries	\$ 309,751	\$ 240,821	\$ 234,713	\$ 785,285
Health and disability insurance	45,182	35,127	34,236	114,545
Payroll taxes	22,182	17,245	16,808	56,235
Other benefits	11,700	9,097	8,866	29,663
Total salaries and related expenses	388,815	302,290	294,623	985,728
Grants and assistance	6,756,791	-	-	6,756,791
Fund expenses	384,851	-	-	384,851
Special events	692	-	90,827	91,519
Professional fees	21,873	46,460	18,085	86,418
Public relations and marketing	27,186	5,090	28,937	61,213
Depreciation	17,803	15,086	14,720	47,609
Occupancy	17,313	14,671	14,315	46,299
Consulting	11,973	8,320	-	20,293
Printing and publications	8,978	2,638	8,417	20,033
Conferences and meetings	2,239	681	8,023	10,943
Insurance	3,651	3,094	3,019	9,764
Supplies	3,203	2,715	2,649	8,567
Telecommunications	3,116	2,641	2,576	8,333
Other fundraising costs	17	14	7,338	7,369
Membership dues	2,506	1,948	1,899	6,353
Transportation and travel	1,595	1,035	1,803	4,433
Postage and delivery	1,009	855	835	2,699
Other expenses	-	42	2,048	2,090
Bank charges and fees	-	1,801	-	1,801
Total functional expenses	\$ 7,653,611	\$ 409,381	\$ 500,114	\$ 8,563,106

The DuPage Community Foundation (d.b.a. DuPage Foundation)

Statement of Functional Expenses

Year Ended June 30, 2018

	Grants Awarded and Grant-making Activities	Management and General	Fundraising	Total
Salaries	\$ 287,662	\$ 244,051	\$ 223,085	\$ 754,798
Health and disability insurance	32,617	27,673	25,295	85,585
Payroll taxes	20,482	17,377	15,884	53,743
Other benefits	10,962	9,300	8,501	28,763
Total salaries and related expenses	351,723	298,401	272,765	922,889
Grants and assistance	4,819,615	-	-	4,819,615
Fund expenses	252,691	-	-	252,691
Professional fees	20,811	46,439	17,655	84,905
Special events	284	-	79,159	79,443
Depreciation	18,593	17,166	15,773	51,532
Consulting	51,135	-	-	51,135
Public relations and marketing	17,748	3,194	28,578	49,520
Occupancy	16,377	15,120	13,894	45,391
Printing and publications	6,142	2,274	5,933	14,349
Conferences and meetings	2,203	811	8,836	11,850
Supplies	3,961	3,657	3,360	10,978
Insurance	3,447	3,182	2,924	9,553
Telecommunications	2,893	2,671	2,454	8,018
Other fundraising costs	16	15	5,782	5,813
Membership dues	1,820	1,544	1,411	4,775
Postage and delivery	1,227	1,133	1,041	3,401
Transportation and travel	1,093	723	953	2,769
Bank charges and fees	-	1,777	-	1,777
Other expenses	-	211	1,211	1,422
Total functional expenses	\$ 5,571,779	\$ 398,318	\$ 461,729	\$ 6,431,826

The DuPage Community Foundation (d.b.a. DuPage Foundation)

Statement of Cash Flows

Year Ended June 30, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Increase in net assets	\$ 2,102,436	\$ 5,340,227
Adjustments to reconcile increase in net assets to net cash and cash equivalents from operating activities:		
Net investment gains	(1,704,875)	(4,486,876)
Depreciation	47,609	51,532
Noncash donations	(4,420,366)	(2,493,633)
Contributions restricted for long-term purposes	(1,731,657)	(2,075,254)
Changes in operating assets and liabilities that (used) provided cash and cash equivalents:		
Fees receivable	(5,745)	(21,114)
Charitable lead trust receivable	2,809	8,378
Prepaid expenses and other	6,093	(890)
Cash value of life insurance	29,051	29,052
Pledges receivable	35,750	710,535
Accounts payable	(16,322)	11,546
Agency funds	1,951,452	1,774,558
Annuity payable	(35,609)	(36,444)
Accrued liabilities	(1,393)	16,643
Net cash and cash equivalents used in operating activities	(3,740,767)	(1,171,740)
Cash Flows from Investing Activities		
Purchases of investments	(14,547,347)	(24,590,841)
Proceeds from sales and maturities of investments	18,231,924	23,127,038
Net cash provided by (used in) investing activities	3,684,577	(1,463,803)
Cash Flows Provided by Financing Activities - Contributions restricted for long-term purposes	1,731,657	2,075,254
Net Increase (Decrease) in Cash and Cash Equivalents	1,675,467	(560,289)
Cash and Cash Equivalents - Beginning of year	1,303,196	1,863,485
Cash and Cash Equivalents - End of year	<u>\$ 2,978,663</u>	<u>\$ 1,303,196</u>

June 30, 2019 and 2018

Note 1 - Nature of Business

The DuPage Community Foundation (d.b.a. DuPage Foundation) (the "Foundation") is a grant-making community foundation created in 1986 to benefit the people of DuPage County, Illinois. The Foundation receives contributions and bequests into endowment funds. The earnings on these funds are used, according to donors' wishes, for the Foundation's grant-making and community leadership activities.

During 2015, the Foundation started doing business as DuPage Foundation. Its legal name has not been changed.

Note 2 - Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America. This method records revenue and related assets when earned and records expenses and related liabilities when the obligations are incurred.

Classification of Net Assets

Net assets of the Foundation are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Foundation.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments purchased with an original maturity of three months or less when purchased to be cash equivalents. The Foundation maintains its cash in bank deposit accounts at Northern Trust, which at times may exceed federally insured limits. The Foundation has not experienced any losses and does not believe it is exposed to any significant credit risk on cash.

Investments

The Foundation's investments are reported at fair value. Donated investments are reflected as contributions at their fair values at the date the donor relinquishes control. Gain or loss on the sale of investments is computed using the specific recorded costs of each security. Investment income is recorded on the accrual basis and is reported in the statement of activities and changes in net assets.

The Foundation's investments are exposed to various risks, such as interest rate, credit risk, and overall market volatility. Due to these risk factors, it is reasonably possible that changes in the value of investments will occur in the near term and could materially affect the amounts reported in the statement of financial position.

Fees Receivable

Fees receivable represent administrative fees charged to agencies and other fund holders. Management determines the allowance for doubtful accounts by reviewing and identifying troubled accounts. For the years ended June 30, 2019 and 2018, all amounts are deemed to be collectible.

Note 2 - Significant Accounting Policies (Continued)

Agency Funds

The Foundation adopted the accounting treatment prescribed by generally accepted accounting principles, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*, and, accordingly, records the funds received on behalf of others as a liability.

Property and Equipment

Property and equipment are stated at their estimated fair value at the date donated or at cost, if purchased. The straight-line method is used for computing depreciation and amortization. Assets are depreciated over their estimated useful lives. The capitalization policy is set at \$5,000. Costs of maintenance and repairs are charged to expense when incurred.

Pledges Receivable

All pledges receivable are expected to be collected within one year and are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. An allowance for uncollectible contributions is provided when evidence indicates amounts promised by donors may not be collectible. As of June 30, 2019 and 2018, there was \$533,879 and \$569,629, respectively, in pledges receivable and no allowance for uncollectible contributions was recorded.

Gifts, Bequests, and Grants

Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows. Conditional promises are recorded when donor stipulations are substantially met. Contributions are recorded net of allowances. There are no allowances recorded as of June 30, 2019 and 2018.

Contributions received with donor-imposed restrictions are reported as revenue with donor restrictions as required by the donor intent. Contributions of land, building, and equipment without donor-imposed restrictions concerning the use of such long-lived assets are reported as revenue without donor restrictions.

The bylaws of the Foundation include a variance provision and powers of modification, giving the board of trustees the power to modify any restriction or condition on the distribution of funds for any specified charitable purposes or to specified organizations if, in the board's sole judgment (without the approval of any trustee, custodian, or agent), such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community that the Foundation serves. Based on these provisions, the Foundation accounts for contributions with the donor's imposed restrictions until they use variance power to modify the restrictions.

Donated Services

The Foundation records contributions of donated services that create or enhance nonfinancial assets or that require specialized skills that are provided by individuals possessing those skills and that would typically need to be purchased if not provided by donation. When such contributions are received, they are recorded at their fair values in the period received. The Foundation did not receive donated services during the years ended June 30, 2019 and 2018.

Income Taxes

The Foundation is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3).

Note 2 - Significant Accounting Policies (Continued)

Grants

Grants are recognized as an expense at the time of formal approval by the board of trustees. Conditional grants, if any, are expensed when such conditions are substantially met.

Functional Allocation of Expenses

The costs of providing various programs and other services have been reported on a functional basis in the statements of activities and changes in net assets and functional expenses. Costs are charged to program services and support services on an actual basis when available. In addition, costs may be allocated between the program and support functions based on various methods and estimates. Allocations for personnel expenses are based on estimates of time and effort of personnel involved in each function. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Upcoming Accounting Pronouncement

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. The new guidance will be effective for the Foundation's year ending June 30, 2020 and will be applied on a modified prospective basis. The Foundation has not yet determined the impact on the timing of recognition of foundation and individual grants and contributions. The new guidance also applies to not-for-profit organizations making contributions and those receiving contributions; therefore, the Foundation is considering the impact on the timing of recognition of grant expenditures, which is effective for the Foundation's year ending June 30, 2021.

Adoption of New Accounting Pronouncement

The Foundation adopted FASB ASU No. 2016-14, *Not-for-Profit Entities*, as of July 1, 2018 and retrospectively to all periods presented. This standard requires net assets to be classified in two categories, net assets without donor restrictions and net assets with donor restrictions, rather than the three previous classifications. This standard also requires changes in the way certain information is aggregated and reported by the Foundation, including disclosures of quantitative and qualitative information about the liquidity and availability of resources, classification and disclosure of underwater endowment funds as net assets with donor restrictions, and the presentation of expenses by both functional and natural classification. The standard also clarifies the definition of management and general and prohibits certain expenses from being allocated out of management and general.

As a result of the adoption of this standard, the statement of functional expenses and disclosures related to the allocation methodology and liquidity and availability of resources were added for 2019 and 2018. Additionally, net assets without donor restrictions as of July 1, 2017 increased by \$4,639,747, and net assets with donor restrictions decreased by the same amount as underwater endowment funds were reclassified in accordance with the standard. The activity for underwater endowment funds was also reclassified from without donor restrictions to with donor restrictions in the amount of \$1,424,522 for the year ended June 30, 2018. Additionally, investment expenses of \$310,115 for the year ended June 30, 2018 have been reclassified to be shown net of investment income in accordance with the new standard.

The DuPage Community Foundation (d.b.a. DuPage Foundation)

Notes to Financial Statements

June 30, 2019 and 2018

Note 2 - Significant Accounting Policies (Continued)

The following summary reconciles the unrestricted net assets as of June 30, 2018 in the prior year financial report to the net assets without donor restriction as of June 30, 2018 in the current year financial report:

Unrestricted net assets as of June 30, 2018, as originally reported	\$ 7,040,248
Reclassified underwater funds balance as of July 1, 2017	4,639,747
Reclassified underwater funds activity for the year ended June 30, 2018	1,424,522
Net assets without donor restriction as of June 30, 2018, as restated	<u>\$ 13,104,517</u>

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including October 17, 2019, which is the date the financial statements were available to be issued.

Note 3 - Liquidity

The following reflects the Foundation's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date:

	2019	2018
Cash	\$ 2,978,663	\$ 1,303,196
Investments	93,215,390	90,764,543
Receivables	861,069	893,883
Prepaid expenses and other assets	569,400	614,727
Financial assets - At year end	97,624,522	93,576,349
Less those unavailable for general expenditures within one year due to:		
Subject to donor restriction:		
Agency funds	18,153,225	16,201,773
Donor-restricted endowment funds	67,308,034	65,386,184
Pledges receivable - For restricted gifts	517,379	517,379
Financial assets unavailable for general expenditures within one year - At year end	85,978,638	82,105,336
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 11,645,884</u>	<u>\$ 11,471,013</u>

None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date.

The contributions receivable are subject to implied time restrictions, but the amount reported above is expected to be collected within one year.

The DuPage Community Foundation (d.b.a. DuPage Foundation)

Notes to Financial Statements

June 30, 2019 and 2018

Note 3 - Liquidity (Continued)

The Foundation is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Foundation must maintain sufficient resources to meet those responsibilities to its donors.

The Foundation has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 180 days of normal operating expenses, which are, on average, \$616,121 and \$592,188 at June 30, 2019 and 2018, respectively. The Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Foundation invests cash in excess of daily requirements in various short-term investments, including short-term treasury instruments.

The Foundation also realizes there could be unanticipated liquidity needs.

The Foundation's endowment funds consist of donor-restricted endowments of \$67,308,034 and \$65,386,184 at June 30, 2019 and 2018, respectively. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure.

Note 4 - Property and Equipment

Property and equipment are summarized as follows:

	2019	2018	Depreciable Life - Years
Land	\$ 68,860	\$ 68,860	-
Buildings	1,019,839	1,019,839	7-40
Building improvements	350,014	350,014	3-10
Computer software	93,578	93,578	3-5
Furniture and equipment	56,667	56,667	5
Total cost	1,588,958	1,588,958	
Accumulated depreciation	285,205	237,596	
Net property and equipment	<u>\$ 1,303,753</u>	<u>\$ 1,351,362</u>	

Depreciation expense for the years ended June 30, 2019 and 2018 was \$47,609 and \$51,532, respectively.

Note 5 - Charitable Gift Annuities

In 2004, the Foundation entered into a charitable gift annuity agreement with a donor. The donor agreed to provide a gift to the fund in exchange for a lifetime annuity to be paid to the donor. The present value of the annuity payments expected to be made has been shown as a liability in the statement of financial position. The gift, net of the annuity liability and expenses related to the donation, was reported as a contribution in the statement of activities and changes in net assets in the fiscal year ended June 30, 2005. As required by state law, the Foundation entered into an agreement with an insurance company to fund payment of the annuity to this donor. The value of this annuity agreement is reflected as a reinsurance contract in the statement of financial position. It is expected that the reinsurance contract will offset the annuity liability, resulting in no net impact on the statement of activities and changes in net assets in future periods. At June 30, 2019 and 2018, the asset and liability arising from this agreement are reported at \$9,116 and \$38,167, respectively.

Note 5 - Charitable Gift Annuities (Continued)

During the fiscal years 2013 through 2019, the Foundation entered into eight charitable gift annuity agreements with donors. The donors agreed to provide a gift to the fund in exchange for a lifetime annuity to be paid to the donors. The present value of the annuity payments expected to be made has been shown as a liability in the statement of financial position. The gift, net of the annuity liability and the expenses related to the donation, was reported as a contribution in the statement of activities and changes in net assets in the respective year ends. The Foundation met state law requirements and was not required to enter into an agreement with an insurance company to fund payment of the annuity to those donors. At June 30, 2019 and 2018, the liability arising from these agreements is reported at \$112,210 and \$118,768, respectively.

Note 6 - Charitable Lead Trust

During fiscal year 2009, a donor established a trust naming the Foundation as one of the lead beneficiaries of a charitable lead annuity trust. Under terms of the split-interest agreement, the Foundation is to receive 45 percent of a unitrust amount equal to 4 percent of the net fair market value of the assets of the trust valued as of the first business day of each taxable year for the trust for a period of 22 years. After that time, the trust is to terminate, and remaining trust assets are to be distributed to others. The receivable for the split-interest agreement is carried at fair value, which the Foundation has estimated based on the present value of expected future cash inflows. Based on the duration of the trust and a 5 percent discount rate, the fair value of the Foundation's interest in the trust was estimated and recorded in 2009 as a temporarily restricted contribution and as a charitable lead trust receivable. The Foundation received \$18,125 and \$20,586 from the trust in 2019 and 2018, respectively, which was recorded as a reduction in the receivable and a corresponding reclassification from net assets with donor restrictions to net assets without donor restrictions. On an annual basis, the Foundation will revalue the contribution receivable based on asset valuation and current market conditions.

Note 7 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the Foundation's assets measured at fair value on a recurring basis at June 30, 2019 and 2018 and the valuation techniques used by the Foundation to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Foundation has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Foundation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The DuPage Community Foundation (d.b.a. DuPage Foundation)

Notes to Financial Statements

June 30, 2019 and 2018

Note 7 - Fair Value Measurements (Continued)

Assets Measured at Fair Value on a Recurring Basis at June 30, 2019					
	Quoted Prices in			Net Asset Value	Balance at June 30, 2019
	Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
Assets - Investments:					
Commodity funds	\$ 47,373	\$ -	\$ -	\$ -	\$ 47,373
Domestic common stock	11,187,005	-	-	-	11,187,005
Domestic mutual funds	14,673,513	-	-	5,455,564	20,129,077
Emerging markets mutual funds	1,900,719	-	-	1,494,464	3,395,183
Exchange-traded funds	10,470,594	-	-	-	10,470,594
Fixed-income securities	4,272,028	-	-	-	4,272,028
Hedge funds	2,219,364	-	-	1,977,904	4,197,268
International mutual funds	11,773,936	-	-	5,346,390	17,120,326
International common stock	144,152	-	-	-	144,152
Mutual funds	9,618,131	-	-	3,250,083	12,868,214
Private equity funds	-	-	-	6,487,226	6,487,226
Real estate funds	2,896,944	-	-	-	2,896,944
Total assets	\$ 69,203,759	\$ -	\$ -	\$ 24,011,631	\$ 93,215,390

Assets Measured at Fair Value on a Recurring Basis at June 30, 2018					
	Quoted Prices in			Net Asset Value	Balance at June 30, 2018
	Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
Assets - Investments:					
Commodity funds	\$ 100,098	\$ -	\$ -	\$ -	\$ 100,098
Domestic common stock	10,577,452	-	-	-	10,577,452
Domestic mutual funds	14,223,016	-	-	5,477,290	19,700,306
Emerging markets mutual funds	2,635,380	-	-	2,202,163	4,837,543
Exchange-traded funds	9,644,738	-	-	-	9,644,738
Fixed-income securities	4,358,682	-	-	-	4,358,682
Hedge funds	2,508,826	-	-	2,533,868	5,042,694
International mutual funds	7,747,485	-	-	5,153,015	12,900,500
International common stock	136,557	-	-	-	136,557
Mutual funds	11,702,428	-	-	3,173,753	14,876,181
Private equity funds	-	-	-	5,652,069	5,652,069
Real estate funds	2,937,723	-	-	-	2,937,723
Total assets	\$ 66,572,385	\$ -	\$ -	\$ 24,192,158	\$ 90,764,543

Investments in Entities that Calculate Net Asset Value per Share

The Foundation holds shares or interests in investment companies at year end whereby the fair value of the investment held is estimated based on the net asset value per share (or its equivalent) of the investment company.

The DuPage Community Foundation (d.b.a. DuPage Foundation)

Notes to Financial Statements

June 30, 2019 and 2018

Note 7 - Fair Value Measurements (Continued)

At year end, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Investments Held at June 30, 2019			
	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Domestic mutual funds (a)	\$ 5,455,564	\$ -	Daily	1-2 days
Emerging market mutual funds (b)	1,494,464	-	Daily	1-2 days
Fixed-income securities (c)	3,250,083	-	Daily	None
Funds of hedge funds (d)	1,977,904	-	90 days or less	90 days or less
International mutual funds (e)	5,346,390	-	Daily	2-3 days
Private equity (f)	6,487,226	3,350,000	Quarterly	None
Total	\$ 24,011,631	\$ 3,350,000		

	Investments Held at June 30, 2018			
	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Domestic mutual funds (a)	\$ 5,477,290	\$ -	Daily	1-2 days
Emerging markets mutual funds (b)	2,202,163	-	Daily	1-2 days
Fixed-income securities (c)	3,173,753	-	Daily	None
Funds of hedge funds (d)	2,533,868	-	90 days or less	90 days or less
International mutual funds (e)	5,153,015	-	Daily	2-3 days
Private equity (f)	5,652,069	4,033,700	Quarterly	None
Total	\$ 24,192,158	\$ 4,033,700		

(a) Domestic mutual funds invest in domestic equities in the Russell 1000, Midcap, and 2000 Indices with the objective of outperforming the Russell 1000, Midcap, and 2000 Indices.

(b) Emerging markets mutual funds invest in international securities that are in the MSCI Emerging Markets Index with the objective of replicating the performance of the MSCI Emerging Markets Index.

(c) Fixed-income securities invest in domestic fixed-income securities with the objective of replicating the BC US Aggregate Bond Index.

(d) Funds of hedge funds are designated to provide a competitive rate of return. Generally, these investments have a redemption period of 90 days or less and a notification period of 90 days or less. Approximately 0.2 percent of the investments are in side pocket arrangements. The Foundation will not be able to redeem such value from any particular underlying investments until such amount is released from its respective side-pocket arrangement. The Foundation is not able to estimate the timing of receipt of such amounts.

(e) International mutual funds invest in international securities that are in the MSCI EAFE Index and in the MSCI Emerging Markets Index with the objective of outperforming the MSCI EAFE Index and replicating the performance of the MSCI ACWI ex-US.

(f) Private equity invests in private equity with the objective of obtaining a competitive rate of return.

Note 8 - Agency Funds

The financial effects of transactions related to agency funds are recorded as changes in the agency funds liability on the statement of financial position and are not included in the statement of activities and changes in net assets. The changes are summarized as follows:

	2019	2018
Additions:		
Deposits	\$ 1,909,953	\$ 1,088,013
Investment income	423,888	332,146
Net realized and unrealized gain	597,392	954,468
Total additions	2,931,233	2,374,627
Deductions:		
Distributions	809,761	439,580
Investment expenses	170,020	160,489
Total deductions	979,781	600,069
Change in balance	1,951,452	1,774,558
Agency funds - Beginning of year	16,201,773	14,427,215
Agency funds - End of year	\$ 18,153,225	\$ 16,201,773

Note 9 - Donor-restricted and Board-designated Endowments

The Foundation's endowment consists of 292 individual funds established for a variety of purposes. Endowments include both donor-restricted funds and funds designated by the board of trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Foundation is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the board of trustees appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The board of trustees of the Foundation had interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Foundation has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- Donor requests
- The purpose of the Foundation and the donor-restricted endowment fund
- General economic conditions

The DuPage Community Foundation (d.b.a. DuPage Foundation)

Notes to Financial Statements

June 30, 2019 and 2018

Note 9 - Donor-restricted and Board-designated Endowments (Continued)

- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

	Endowment Net Asset Composition by Type of Fund as of June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 67,308,034	\$ 67,308,034
Board-designated endowment funds	11,043,534	-	11,043,534
Total funds	\$ 11,043,534	\$ 67,308,034	\$ 78,351,568

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ 10,872,754	\$ 65,386,184	\$ 76,258,938
Investment return:			
Investment income	333,002	1,739,452	2,072,454
Net appreciation (realized and unrealized)	207,825	1,494,649	1,702,474
Total investment return	540,827	3,234,101	3,774,928
Contributions	85,940	6,415,982	6,501,922
Appropriation of endowment assets for expenditure	(455,987)	(7,728,233)	(8,184,220)
Endowment net assets - End of year	\$ 11,043,534	\$ 67,308,034	\$ 78,351,568

	Endowment Net Asset Composition by Type of Fund as of June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 65,386,184	\$ 65,386,184
Board-designated endowment funds	10,872,754	-	10,872,754
Total funds	\$ 10,872,754	\$ 65,386,184	\$ 76,258,938

Notes to Financial Statements

June 30, 2019 and 2018

Note 9 - Donor-restricted and Board-designated Endowments (Continued)

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ 9,425,244	\$ 61,687,524	\$ 71,112,768
Investment return:			
Investment income	250,483	1,190,131	1,440,614
Net appreciation (realized and unrealized)	634,673	3,831,808	4,466,481
Total investment return	885,156	5,021,939	5,907,095
Contributions	91,465	5,286,344	5,377,809
Appropriation of endowment assets for expenditure	(2,080,784)	(4,057,950)	(6,138,734)
Donor-approved changes in restrictions	1,127,151	(1,127,151)	-
Reclassification due to adoption of new accounting standard	1,424,522	(1,424,522)	-
Endowment net assets - End of year	\$ 10,872,754	\$ 65,386,184	\$ 76,258,938

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in net assets with donor restrictions were \$7,341,702 and \$6,064,269 as of June 30, 2019 and 2018, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions and continued appropriation for certain programs that was deemed prudent by the board of trustees in order to comply with the individual donor's requests.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while seeking to maintain the purchasing power of the endowment assets. Accordingly, the investment process seeks to achieve an after-cost total real rate of return with acceptable levels of risk, including investment income as well as capital appreciation, which exceeds the annual distribution.

Investment risk is measured in terms of the total endowment fund. Investment assets and allocation between asset classes and strategies are managed to minimize risk.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation will use the moving average method to plan year-to-year grants in order to reduce annual variations in the amounts distributed from the aggregate portfolio. The amount will be determined based on the moving average of the portfolio's fair value from the previous 12 quarters (that is, the moving average will be determined in the last quarter of the calendar year based on 12 averaged quarters ending September 30 before the calendar year in which the funds are to be spent). For funds less than three years old, the market value will be the average of all averaged quarters to date. This policy creates more consistent and predictable granting by the Foundation over the long term.

June 30, 2019 and 2018

Note 9 - Donor-restricted and Board-designated Endowments (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy

Endowment assets are invested in a well-diversified asset mix intended to result in consistent inflation-protected rates of return with sufficient liquidity to make an annual distribution of between 4 percent and 5 percent, while growing the funds if possible. Therefore, the Foundation expects its endowment assets, over time, to produce an average rate of return, net of fees of approximately 8 percent annually. Actual returns in any given year may vary from this amount.